



## APPENDIX 4E STATEMENT FOR THE FULL-YEAR ENDING 30 JUNE 2019

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A Focused Portfolio  
of Australian Equities

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- Results for Announcement to the Market
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These documents comprise the preliminary final report given to ASX under listing rule 4.3A

AMCIL Limited ABN 57 073 990 735



AMCIL

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## RESULTS FOR ANNOUNCEMENT TO THE MARKET

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The reporting period is the year ended 30 June 2019 with the previous corresponding period being the year ended 30 June 2018.

This report is based on financial statements that are in the process of being audited.

### Results for announcement to the market

- Net Profit attributable to members was \$7.0 million, up 12.3% from the previous corresponding period.
- Revenue from ordinary activities (excluding capital gains) was \$9.2 million, up 8.8% from the previous corresponding period.
- Net tangible assets at 30 June 2019 were 98 cents per share, down from 102 cents at the end of the previous corresponding period, in both cases before allowing for any final dividend.
- An interim dividend of 2.0 cents plus a special dividend of 1.5 cents was paid to shareholders in respect of the half year ended 31 December 2018 on 22 February 2019. No interim dividend was paid in the previous year.
- AMCIL's policy is to maximise the distribution of available franking credits. In accordance with this policy, a final dividend of 3.5 cents per share, fully-franked at 30%, will be paid on 23 August 2019 to ordinary shareholders on the register on 2 August 2019. Last year's final dividend was 4.25 cents. Shares are expected to trade ex-dividend from 1 August 2019. There is no conduit foreign income component of the dividend.
- 3 cents of the final dividend has been sourced from capital gains on which the Company has paid or will pay tax. The amount of the pre-tax attributable gain on this portion of the dividend, known as an "LIC capital gain", is 4.29 cents. This enables some shareholders to claim a tax deduction in their tax return. Further details will be on the dividend statements.
- The Company's Dividend Reinvestment Plan (DRP) is in operation for the final dividend, the price for which will be set at a **nil discount** to the Volume Weighted Average Price of the Company's shares traded on the ASX and Chi-X automated trading systems over the five trading days after the shares trade ex-dividend. The last date for receipt of an election notice for participation in the plan is 5 August 2019. All shares issued under the DRP will rank equally with existing shares.
- The 2019 AGM will be held at the Westin Hotel, 205 Collins Street, Melbourne, at 1.30 PM on Thursday 10 October.



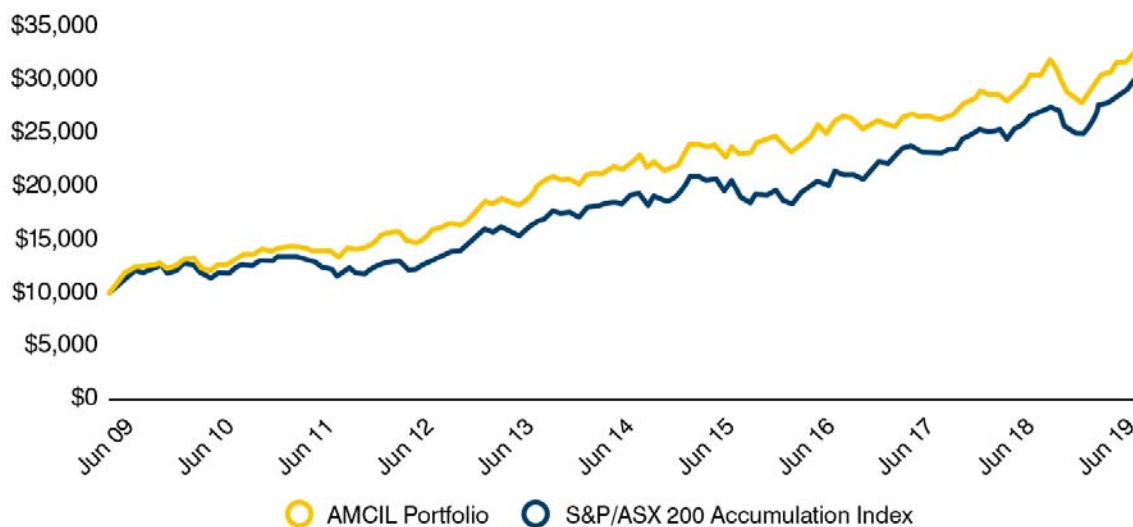


## Full Year Report to 30 June 2019

- **AMCIL's investment approach is to have a focused portfolio in which large, mid and small companies can have an equally important impact on portfolio returns.**
- **The Full Year Profit was \$7.0 million, up 12.3% from \$6.2 million in the previous corresponding period:**
  - Following adjustments to the portfolio and a special dividend from BHP investment income increased 8.8% to \$9.2 million.
  - Income from options was \$0.3 million compared with a loss of \$0.6 million in the corresponding period last year.
- **The final dividend is 3.5 cents per share fully franked. In February 2019 dividends of 3.5 cents per share were also paid, comprising a special dividend of 1.5 cents per share fully franked following the Company's participation in the Rio Tinto and BHP off-market share buy-backs and an interim dividend of 2.0 cents per share fully franked.**

**Total fully franked dividends for the year, including the special, are 7.0 cents per share compared with 4.25 cents per share last year.**
- **Management expense ratio of 0.72%, with no performance fees.**
- **12-month portfolio return, including franking, was 7.0%. For the S&P/ASX 200 Accumulation Index, the return, including franking, was 13.4%. AMCIL's performance numbers are after expenses.**

### Growth in Portfolio (including benefit of franking) - 10 Years to 30 June 2019



Note assumes an investor can take full advantage of the franking credits. This chart calculates the benefit of franking credits at the time dividends are paid for both AMCIL and the Index. In practice there is a timing difference between receipt of the dividend and the realisation of the franking benefit in the following tax year.

## **Portfolio Performance**

After negative returns in the first half of the financial year, the market experienced very strong growth from year lows in December, primarily in response to extremely low interest rates as investors looked for yield and pockets of expected growth. This produced a market that had a very mixed profile for returns, with the combined Small and Mid-Cap Accumulation Index up 2.8% over the year to 30 June 2019 whereas the Fifty Leaders Accumulation Index was up 14.2% over the corresponding period. Between industry sectors there were also marked variances in returns.

AMCIL's objective is to run a concentrated portfolio of large, mid and small companies which is meaningfully different from the market. As a result, there will be periods when the performance of AMCIL can vary quite markedly from the Index. Assuming the full benefit of franking credits, AMCIL's portfolio delivered a return of 7.0%, whereas the S&P/ASX 200 Accumulation Index return was 13.4% on the same basis over the year. It is appropriate to add franking credits to total returns, given AMCIL's dividend policy seeks to maximise the distribution of franking credits, including those arising from taxable realised gains. Noting the difference in annual returns from the Index, the key objective is to deliver a sustained outperformance over the medium to long term. AMCIL has produced returns of 12.5% per annum over the ten years to 30 June 2019. This is ahead of the Index return of 11.7% per annum over the same period. Both figures include the benefit of franking credits.

The more significant positive contributors to the portfolio over the year were Mainfreight, Breville Group, BHP, EQT Holdings and Brambles.

## **Adjustments to the Portfolio**

There were a number of adjustments to the portfolio this year with holdings in the Investment Portfolio reduced from 46 to 38 companies. There was a focus on strengthening existing positions in quality holdings in a more uncertain environment, reducing or exiting positions because of stretched valuations or where the outlook had deteriorated, and adding new holdings that fitted the emphasis on quality companies with strong industry positions. Major purchases included new additions to the portfolio: Sydney Airport, Ramsay Health Care, Wesfarmers and Alumina. National Australia Bank was the other large purchase building on an existing position, given the very attractive dividend yield on offer at the time.

Major sales included reducing the position in Lifestyle Communities and the complete sale of Freedom Foods, Rio Tinto (including participation in the off-market buy-back), Challenger and CYBG (Clydesdale Bank), with these last two companies being disappointing performers in the portfolio.

## **Outlook**

In our opinion, global markets still face heightened economic uncertainty. Following adjustments to the portfolio, we are satisfied the portfolio is well positioned across a broad range of companies that have resilience in their businesses. In the event of increased volatility, AMCIL also has cash available should the opportunity arise to further invest in quality businesses at more attractive prices.

Please direct any enquiries to:

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General Manager  
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**23 July 2019**

## MAJOR TRANSACTIONS IN THE INVESTMENT PORTFOLIO

Acquisitions	Cost \$'000
Sydney Airport	5,684
Ramsay Health Care	5,388
Wesfarmers	5,340
National Australia Bank	4,522
Alumina	3,961

Disposals	Proceeds \$'000
Freedom Foods Group	6,178
Lifestyle Communities	5,925
Rio Tinto (includes participation in off-market share buy-back)	5,290
Challenger	4,423
CYBG (Clydesdale Bank)	4,230
Woolworths Group (includes participation in off-market share buy-back)	4,090

All were complete disposals from the portfolio, other than Lifestyle Communities & Woolworths Group.

### New Companies Added to the Portfolio

Sydney Airport	Alumina
Ramsay Health Care	Freightways
Wesfarmers	Starpharma Holdings

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## TOP INVESTMENTS AS AT 30 JUNE 2019

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*Includes investments held in both the Investment and Trading Portfolios.*

Valued at closing prices at 28 June 2019

	Total Value \$ million	% of the Portfolio
1 CSL	16.9	6.7%
2 * BHP	14.5	5.7%
3 Mainfreight	12.8	5.1%
4 * National Australia Bank	12.1	4.8%
5 Macquarie Group	10.7	4.2%
6 * Westpac Banking Corporation	10.6	4.2%
7 * Commonwealth Bank of Australia	10.2	4.1%
8 Transurban	9.4	3.7%
9 James Hardie Industries	7.8	3.1%
10 EQT Holdings	7.8	3.1%
11 Qube Holdings	7.3	2.9%
12 Carsales.com	6.9	2.7%
13 Oil Search	6.5	2.6%
14 Sydney Airport	6.5	2.6%
15 IRESS	6.3	2.5%
16 Wellcom Group	6.0	2.4%
17 Seek	5.9	2.3%
18 * Woodside Petroleum	5.8	2.3%
19 * Brambles	5.7	2.3%
20 ARB Corporation	5.6	2.2%
 Total	 175.1	
 As % of Total Portfolio Value (excludes Cash)	 69.4%	

\* Indicates that options were outstanding against part of the holding

Cash position at 30 June 2019 - \$14.0 million



## PORTFOLIO PERFORMANCE TO 30 JUNE 2019

PERFORMANCE MEASURES AT 30 JUNE 2019	1 YEAR	5 YEARS %PA	10 YEARS %PA
<b><i>PORTFOLIO RETURN –NET ASSET BACKING RETURN INCLUDING DIVIDENDS REINVESTED</i></b>	<b>3.5%</b>	<b>6.1%</b>	<b>10.2%</b>
<b>S&amp;P/ASX 200 ACCUMULATION INDEX</b>	11.6%	8.9%	10.0%
<b><i>PORTFOLIO RETURN –NET ASSET BACKING GROSS RETURN INCLUDING DIVIDENDS REINVESTED*</i></b>	<b>7.0%</b>	<b>8.5%</b>	<b>12.5%</b>
<b>S&amp;P/ASX 200 ACCUMULATION INDEX *</b>	13.4%	10.5%	11.7%

Note: AMCIL's net asset per share growth plus dividend series is calculated after management expenses, income tax and capital gains tax on realised sales of investments. It should also be noted that Index returns for the market do not include the impact of management expenses and tax on their performance.

\* Incorporates the benefit of franking credits for those who can fully utilise them.

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# ***AMCIL Ltd***

## ***Annual Financial Statements***

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***30 June 2019***



## Financial statements

### Income Statement for the Year Ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Dividends and distributions	A3	8,984	8,243
Revenue from deposits and bank bills		199	205
Other revenue		10	-
<b>Total revenue</b>		<b>9,193</b>	<b>8,448</b>
Net gains/(losses) on trading portfolio	A3	(376)	129
Income/(losses) from options written portfolio	A3	251	(552)
<b>Income from operating activities</b>		<b>9,068</b>	<b>8,025</b>
Finance Costs		(63)	(59)
Administration expenses	B1	(1,846)	(1,724)
<b>Profit before income tax expense</b>		<b>7,159</b>	<b>6,242</b>
Income tax (expense)/credit	B2, E2	(144)	5
<b>Profit for the year</b>		<b>7,015</b>	<b>6,247</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	A5	2.60	2.39

*This Income Statement should be read in conjunction with the accompanying notes.*

## Statement of Comprehensive Income for the Year Ended 30 June 2019

	Year to 30 June 2019			Year to 30 June 2018		
	Revenue <sup>1</sup>	Capital <sup>1</sup>	Total	Revenue	Capital	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Profit for the year</b>	<b>7,015</b>	<b>-</b>	<b>7,015</b>	<b>6,247</b>	<b>-</b>	<b>6,247</b>
<b>Other Comprehensive Income</b>						
Gains for the period	-	5,651	<b>5,651</b>	-	25,323	<b>25,323</b>
Tax on above	-	(1,298)	<b>(1,298)</b>	-	(9,059)	<b>(9,059)</b>
<b>Total Other Comprehensive Income</b>	<b>-</b>	<b>4,353</b>	<b>4,353</b>	<b>-</b>	<b>16,264</b>	<b>16,264</b>
<b>Total Comprehensive Income</b>	<b>7,015</b>	<b>4,353</b>	<b>11,368</b>	<b>6,247</b>	<b>16,264</b>	<b>22,511</b>

<sup>1</sup> 'Capital' includes realised or unrealised gains or losses (and the tax on those) on securities in the investment portfolio. Income in the form of distributions and dividends is recorded as 'Revenue'. All other items, including expenses, are included in Profit for the Year, which is categorised under 'Revenue'.

**None of the items included in other comprehensive income will be recycled through the Income Statement.**

*This Statement of Comprehensive Income should be read in conjunction with the accompanying notes.*

## Balance Sheet as at 30 June 2019

	Note	2019 \$'000	2018 \$'000
<b>Current assets</b>			
Cash	D1	13,988	2,150
Receivables		2,993	7,070
<b>Total current assets</b>		<b>16,981</b>	<b>9,220</b>
<b>Non-current assets</b>			
Deferred tax assets	E2	137	88
Investment portfolio	A2	253,395	262,118
<b>Total non-current assets</b>		<b>253,532</b>	<b>262,206</b>
<b>Total assets</b>		<b>270,513</b>	<b>271,426</b>
<b>Current liabilities</b>			
Payables		173	253
Tax payable		851	1,465
Borrowings – bank debt	D2	-	1,000
Options Sold	A2	1,217	1,060
<b>Total current liabilities</b>		<b>2,241</b>	<b>3,778</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities – investment portfolio	B2	20,718	22,290
<b>Total non-current liabilities</b>		<b>20,718</b>	<b>22,290</b>
<b>Total liabilities</b>		<b>22,959</b>	<b>26,068</b>
<b>Net Assets</b>		<b>247,554</b>	<b>245,358</b>
<b>Shareholders' equity</b>			
Share capital	A1, D6	186,168	174,748
Revaluation reserve	A1, D3	36,784	39,285
Realised capital gains reserve	A1, D4	19,637	20,721
Retained profits	A1, D5	4,965	10,604
<b>Total shareholders' equity</b>		<b>247,554</b>	<b>245,358</b>

*This Balance Sheet should be read in conjunction with the accompanying notes.*

## Statement of Changes in Equity for the Year Ended 30 June 2019

### Year Ended 30 June 2019

	Note	Share Capital \$'000	Revaluation Reserve \$'000	Realised Capital Gains Reserve \$'000	Retained Profits \$'000	Total \$'000
<b>Total equity at the beginning of the year</b>		<b>174,748</b>	<b>39,285</b>	<b>20,721</b>	<b>10,604</b>	<b>245,358</b>
Dividends paid	A4	-	-	(7,938)	(12,654)	<b>(20,592)</b>
Shares issued under Dividend Reinvestment Plan	D6	7,149	-	-	-	<b>7,149</b>
Share issued under Share Purchase Plan	D6	4,319				<b>4,319</b>
Other share capital adjustments		(48)	-	-	-	<b>(48)</b>
<b>Total transactions with shareholders</b>		<b>11,420</b>	<b>-</b>	<b>(7,938)</b>	<b>(12,654)</b>	<b>(9,172)</b>
Profit for the year		-	-	-	7,015	<b>7,015</b>
<b>Other Comprehensive Income (net of tax)</b>						
Net gain for the period on investments		-	4,353	-	-	<b>4,353</b>
Other Comprehensive Income for the year		-	4,353	-	-	<b>4,353</b>
Transfer to Realised Capital Gains Reserve of realised gains on investments sold		-	(6,854)	6,854	-	<b>-</b>
<b>Total equity at the end of the year</b>		<b>186,168</b>	<b>36,784</b>	<b>19,637</b>	<b>4,965</b>	<b>247,554</b>

*This Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

## Statement of Changes in Equity for the Year Ended 30 June 2019 (continued)

### Year Ended 30 June 2018

	Note	Share Capital \$'000	Revaluation Reserve \$'000	Realised Capital Gains \$'000	Retained Profits \$'000	Total \$'000
<b>Total equity at the beginning of the year</b>		<b>171,658</b>	<b>27,120</b>	<b>20,492</b>	<b>9,516</b>	<b>228,786</b>
Dividends paid	A4	-	-	(3,870)	(5,159)	<b>(9,029)</b>
Shares issued under Dividend Reinvestment Plan	D6	3,101	-	-	-	<b>3,101</b>
Other share capital adjustments		(11)	-	-	-	<b>(11)</b>
<b>Total transactions with shareholders</b>		<b>3,090</b>	<b>-</b>	<b>(3,870)</b>	<b>(5,159)</b>	<b>(5,939)</b>
Profit for the year		-	-	-	6,247	<b>6,247</b>
<b>Other Comprehensive Income (net of tax)</b>						
Net gain for the period on investments		-	16,264	-	-	<b>16,264</b>
Other Comprehensive Income for the year		-	16,264	-	-	<b>16,264</b>
Transfer to Realised Capital Gains Reserve of realised gains on investments sold		-	(4,099)	4,099	-	<b>-</b>
<b>Total equity at the end of the year</b>		<b>174,748</b>	<b>39,285</b>	<b>20,721</b>	<b>10,604</b>	<b>245,358</b>

*This Statement of Changes in Equity should be read in conjunction with the accompanying notes.*



## Cash Flow Statement for the Year Ended 30 June 2019

		2019 \$'000	2018 \$'000
	Note	Inflows/ (Outflows)	Inflows/ (Outflows)
<b>Cash flows from operating activities</b>			
Sales from trading portfolio		9,373	2,315
Purchases for trading portfolio		(10,596)	(715)
Interest received		199	205
Proceeds from entering into options in options written portfolio		1,621	4,633
Payment to close out options in options written portfolio		(1,214)	(4,765)
Dividends and distributions received		8,473	6,536
		7,856	8,209
Other receipts		10	-
Administration expenses		(1,923)	(1,722)
Finance costs paid		(64)	(58)
Income taxes paid		(1,435)	(956)
<b>Net cash inflow/(outflow) from operating activities</b>	E1	<b>4,444</b>	<b>5,473</b>
<b>Cash flows from investing activities</b>			
Sales from investment portfolio		79,836	107,810
Purchases for investment portfolio		(60,028)	(119,066)
Tax paid on capital gains		(2,243)	(2,119)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>17,565</b>	<b>(13,375)</b>
<b>Cash flows from financing activities</b>			
Shares issued		11,469	3,101
Share issue transaction costs		(48)	(11)
Net borrowings		(1,000)	1,000
Dividends paid		(20,592)	(9,029)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(10,171)</b>	<b>(4,939)</b>
Net increase/(decrease) in cash held		11,838	(12,841)
Cash at the beginning of the year		2,150	14,991
<b>Cash at the end of the year</b>	D1	<b>13,988</b>	<b>2,150</b>

For the purpose of the cash flow statement, 'cash' includes cash and deposits held at call.

*This Cash Flow Statement should be read in conjunction with the accompanying notes.*

## Notes to the financial statements

### A. Understanding AMCIL's financial performance

#### A1. How AMCIL manages its capital

AMCIL's objective is to provide shareholders with attractive total returns including strong capital growth over the medium to long term and to pay fully franked dividends.

AMCIL recognises that its capital will fluctuate with market conditions. In order to manage those fluctuations, the Board may adjust the amount of dividends paid, issue new shares, buy back the Company's shares or sell assets to settle any debt.

AMCIL's capital consists of its shareholders' equity plus any net borrowings. A summary of the balances in equity is provided below:

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
Share capital	186,168	174,748
Revaluation reserve	36,784	39,285
Realised capital gains reserve	19,637	20,721
Retained profits	4,965	10,604
	<b>247,554</b>	<b>245,358</b>

Refer to notes D3-D6 for a reconciliation of movement for each equity account from period to period.

#### A2. Investments held and how they are measured

AMCIL has three portfolios of securities: the investment portfolio, the options written portfolio and the trading portfolio. Details of all holdings (except for specific option holdings) as at the end of the reporting period can be found at the end of the Annual Report.

The investment portfolio holds securities which the company intends to retain on a long-term basis. The options written portfolio and trading portfolio are held for short-term trading only. The latter is relatively small in size when utilised. The options written portfolio can contain both call and put options and call options are only written over securities held in the investment portfolio.

The balance and composition of the investment portfolio was:

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
Equity instruments (at market value)	253,395	262,118
	<b>253,395</b>	<b>262,118</b>

The fair value (the price at which the option may be bought) at 30 June of the securities in the options written portfolio was:

Call options	1,216	1,044
Put options	1	16
	<b>1,217</b>	<b>1,060</b>

If all call options were exercised, this would lead to the sale of \$23.4 million worth of securities at an agreed price – the ‘exposure’ (2018: \$39.6 million). If all the put options were exercised, this would require the Company to purchase \$0.5 million of stock (2018 :\$1.7 million).

\$10.4 million of shares are lodged with ASX Clear Pty Ltd as collateral for sold option positions written by the Company (2018: \$9.9 million). These shares are lodged with ASX Clear under the terms of ASX Clear Pty Ltd which require participants in the Exchange Traded Option market to lodge collateral, and are recorded as part of the Company’s investment portfolio.

### How investments are shown in the financial statements

The accounting standards set out the following hierarchy for fair value measurement:

**Level 1:** quoted prices in active markets for identical assets or liabilities

**Level 2:** inputs other than quoted prices, which can be observed either directly (as prices) or indirectly (derived from prices)

**Level 3:** inputs for the asset or liabilities that are not based on observable market data

All financial instruments held by AMCIL are classified as Level 1 (other than an immaterial amount of call options). Their fair values are initially measured at the costs of acquisition and then remeasured based on quoted market prices at the end of the reporting period.

### Net tangible asset backing per share

The Board regularly reviews the net asset backing per share both before and after provision for deferred tax on the unrealised gains in AMCIL’s long-term investment portfolio. Deferred tax is calculated as set out in note B2. The relevant amounts as at 30 June 2019 and 30 June 2018 were as follows:

	30 June 2019	30 June 2018
<b>Net tangible asset backing per share</b>	<b>\$</b>	<b>\$</b>
Before tax	<b>0.98</b>	<b>1.02</b>
After tax	0.90	0.94

### Equity investments

The shares in the investment portfolio are designated under the accounting standards as financial assets measured at fair value through ‘other comprehensive income’ (“OCI”), because they are equity instruments held for long-term capital growth and dividend income, rather than to make a profit from their sale. This means that changes in the value of these shares during the reporting period are included in OCI in the [Statement of Comprehensive Income](#). The cumulative change in value of the shares over time is then recorded in the [Revaluation Reserve](#). On disposal, the amounts recorded in the revaluation reserve are transferred to the realised capital gains reserve.

### Options

Options are classified as financial assets or liabilities at fair value through profit and loss and usually have an expiry date within twelve months from the date that they are sold. Options written are initially brought to account at the amount received upfront for entering into the contract (the premium) and subsequently revalued to current market value.

## Securities sold and how they are measured

Where securities are sold, any difference between the sale price and the cost is transferred from the Revaluation Reserve to the Realised Capital Gains Reserve and the amounts noted in the Statement of Changes in Equity. This means the Company is able to identify the realised gains out of which it can pay a 'Listed Investment Company' (LIC) gain as part of the dividend, which conveys certain taxation benefits to many of AMCIL's shareholders.

The realised gain or loss on options written is not recognised until the option expires, is exercised or is closed out. All unrealised gains or losses which represent movements in the Market Value of the options are recognised through the Income Statement

During the period \$75.7 million (2018 : \$113.7 million) of equity securities were sold. The cumulative gain on the sale of securities from the investment portfolio was \$6.9 million for the period after tax (2018: \$4.1 million). This has been transferred from the revaluation reserve to the realised capital gains reserve (See Statement of Changes in Equity). These sales were accounted for at the date of trade.

### A3. Operating income

The total income received from AMCIL's investments in 2019 is set out below.

Dividends and distributions	2019 \$'000	2018 \$'000
Dividends from securities held in investment portfolio at 30 June	7,668	6,376
Investment securities sold during the year	1,197	1,867
Dividends from securities held in trading portfolio at 30 June	-	-
Trading securities sold during the year	119	-
	8,984	8,243

Dividends from listed securities are recognised as income when those securities are quoted in the market on an ex-distribution basis. Dividends from unlisted securities are recognised as income when they are received. Capital returns on ordinary shares are treated as an adjustment to the carrying value of the shares.

### Trading income & non-equity investments

Net gains (before tax) on the trading and options portfolio are set out below.

#### Net gains

Net realised gains/(losses) from securities in trading portfolio	(471)	129
Net realised gains from option in trading portfolio	95	-
Realised gains on options written portfolio	863	257
Unrealised gains from trading portfolio	-	-
Unrealised gains/(losses) on options written portfolio	(612)	(809)
	(125)	(423)



#### A4. Dividends paid

The dividends paid and payable for the year ended 30 June 2019 are shown below:

	2019 \$'000	2018 \$'000
<b>(a) Dividends paid during the year</b>		
Final dividend for the year ended 30 June 2018 of 4.25 cents fully franked at 30%, paid 24 August 2018 (2018: 3.5 cents fully franked at 30%, paid on 24 August 2017).	11,114	9,029
Interim dividend for the year ended 30 June 2019 of 2.0 cents plus a special dividend of 1.5 cents, both fully franked at 30%, paid 22 February 2019 (2018: nil)	9,478	-
	20,592	9,029

#### (b) Franking credits

Balance on the franking account after allowing for tax payable in respect of the current year's profits and the receipt of dividends recognised as receivables

4,535 6,007

Impact on the franking account of dividends declared but not recognised as a liability at the end of the financial year:

(4,119) (4,763)

#### Net available

416 1,244

These franking account balances would allow AMCIL to frank additional dividend payments at a rate of 30% (30 June 2018 : 30%) up to an amount of:

971 2,903

AMCIL's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from the trading and investment portfolios and on AMCIL paying tax.

#### (c) Dividends declared after balance date

Since the end of the year Directors have declared a final dividend of 3.5 cents per share fully franked at 30%. The aggregate amount of the final dividend for the year to 30 June 2019 to be paid on 23 August 2019, but not recognised as a liability at the end of the financial year is:

9,611

#### (d) Listed Investment Company capital gain account

	2019 \$'000	2018 \$'000
Balance of the Listed Investment Company (LIC) capital gain account	8,738	8,892
This equates to an attributable gain of	12,483	12,703

Distributed LIC capital gains may entitle certain shareholders to a deduction in their tax return, as set out in the dividend statement. LIC capital gains available for distribution are dependent on the disposal of investment portfolio holdings that qualify for LIC capital gains, or the receipt of LIC distributions from LIC securities held in the portfolios. \$11.8 million of the attributable gain will be paid out as part of the final dividend.

## A5. Earnings per share

The table below shows the earnings per share based on the profit for the year:

Basic Earnings per share	2019 Number	2018 Number
Weighted average number of ordinary shares used as the denominator	269,697,832	260,968,824
	<b>\$'000</b>	<b>\$'000</b>
Profit for the year	7,015	6,247
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	2.60	2.39

## Dilution

As there are no options, convertible notes or other dilutive instruments on issue, diluted earnings per share is the same as basic earnings per share.

## B. Costs, Tax and Risk

### B1. Management Costs

The total management expenses for the period are as follows:

	2019 \$'000	2018 \$'000
Administration fees paid to AICS	(906)	(899)
Other administration expenses	(940)	(825)
	<u>(1,846)</u>	<u>(1,724)</u>

#### Administration fees paid to AICS

Australian Investment Company Services Limited ("AICS") undertakes the day-to-day administration of AMCIL's investments and its operations, including financial reporting.

#### Other administration expenses

A major component of other administration expenses is Directors' remuneration. This has been summarised below:

	Short Term Benefits \$	Post- Employment Benefits \$	Total \$
<b>2019</b>			
Directors	449,892	42,743	492,635
<b>2018</b>			
Directors	400,686	38,064	438,750

AMCIL recognises Directors' retirement allowances that have been crystallised as 'amounts payable'. There are no further retirement allowances that will need to be expensed. During the year, R.B. Santamaria retired and was paid the retirement allowance that had accrued and was due to him.

Detailed remuneration disclosures are provided in the Remuneration Report.

The Company does not make loans to Directors.

### B2. Tax

AMCIL's tax position, and how it accounts for tax, is explained here. Detailed reconciliations of tax accounting to the financial statements can be found in note E2.

The income tax expense for the period is the tax payable on this financial year's taxable income, adjusted for any changes in deferred tax assets and liabilities attributable to temporary differences and for any unused tax losses. Deferred tax assets and liabilities (except for those related to the unrealised gains or losses in the investment portfolio) are offset, as all current and deferred taxes relate to the Australian Taxation Office and can legally be settled on a net basis. Deferred tax balances are calculated at the rate of 30% (2018 : 30%).

A provision has been made for taxes on any unrealised gains or losses on securities valued at fair value through the Income Statement – i.e. the trading portfolio and the options written portfolio.

A provision also has to be made for any taxes that could arise on sale of securities in the investment portfolio, even though there is no intention to dispose of them. Where AMCIL disposes of such securities, tax is calculated according to the particular parcels allocated to the sale for tax purposes, offset against any capital losses carried forward.

## Tax expense

The income tax expense for the period is shown below:

### *(a) Reconciliation of income tax expense to prima facie tax payable*

	2019 \$'000	2018 \$'000
<b>Profit before income tax expense</b>	<b>7,159</b>	<b>6,242</b>
Tax at the Australian company tax rate of 30% (2018 – 30%)	2,148	1,873
Tax offset for franked dividends received	(2,024)	(1,768)
Tax effect of sundry items either taxable in current year but not included in income or non-taxable	51	(76)
	<b>175</b>	<b>29</b>
Over provision in prior years	(31)	(34)
<b>Total tax expense/(credit)</b>	<b>144</b>	<b>(5)</b>

### Deferred tax liabilities – investment portfolio

The accounting standards require us to recognise a deferred tax liability for the potential capital gains tax on the unrealised gain in the investment portfolio. This amount is shown in the Balance Sheet. However, the Board does not intend to sell the investment portfolio, so this tax liability is unlikely to arise at this amount. Any sale of securities would also be affected by any changes in capital gains tax legislation or tax rate applicable to such gains when they are sold.

	2019 \$'000	2018 \$'000
Deferred tax liabilities on unrealised gains in the investment portfolio	20,718	22,290
Opening balance at 1 July	22,290	15,473
Tax on realised gains (at 30%)	(2,870)	(2,242)
Charged to OCI for ordinary securities on gains or losses for the period	1,298	9,059
	<b>20,718</b>	<b>22,290</b>

### B3. Risk

#### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

As a Listed Investment Company that invests in tradeable securities, AMCIL can never be free of market risk as it invests its capital in securities which are not risk free – the market price of these securities will fluctuate.

A general fall in market prices of 5% and 10%, if spread equally over all assets in the investment portfolio, would have led to a reduction in AMCIL's comprehensive income of \$8.9 million and \$17.7 million respectively, at a tax rate of 30% (2018 : \$9.2 million & \$18.3 million at a tax rate of 30%). A market fall of 5% and 10% across the Options Written Portfolio would have led to an increase in profit after-tax of \$43,000 and \$85,000 respectively (2018 :\$37,000 and \$74,000).

AMCIL seeks to reduce market risk at the investment portfolio level by ensuring that it is not, in the opinion of the Investment Committee, overly exposed to one company or one particular sector of the market. The relative weightings of the individual securities and the relevant market sectors are reviewed by the Investment Committee and risk can be managed by reducing exposure where necessary. AMCIL does not have a minimum or maximum amount of the portfolio that can be invested in a single company or sector.

AMCIL's investment exposure by sector is as below:

	2019	2018
	%	%
Energy	4.62%	4.67%
Materials	13.18%	18.79%
Industrials	25.47%	17.74%
Consumer Discretionary	5.58%	5.81%
Consumer Staples	1.04%	5.19%
Banks	12.39%	12.31%
Other Financials (incl. property trusts)	10.32%	13.11%
Telecommunications	2.58%	1.03%
Healthcare	11.34%	8.89%
Info Technology	8.22%	11.64%
Cash	5.26%	0.82%

There were three securities representing over 5% of the combined investment and trading portfolio (including options) at 30 June 2019 – CSL (6.7%), BHP (5.7%) and Mainfreight (5.1%) (2018 : BHP (5.8%) and CSL (5.5%)).

AMCIL is not currently materially exposed to interest rate risk as all its cash investments are short-term for a fixed interest rate. AMCIL is also not directly materially exposed to currency risk as most of its investments are quoted in Australian dollars.

The writing of call options provides some protection against a fall in market prices as it generates income to partially compensate for a fall in capital values. Options are only written against securities that are held in the trading or investment portfolios although stock may be purchased on-market to meet call obligations.



## Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. AMCIL is exposed to credit risk from cash, receivables, securities in the trading portfolio and securities in the investment portfolio respectively. None of these assets are overdue. The risk in relation to each of these items is set out below.

## Cash

All cash investments not held in a transactional account are invested in short-term deposits with Australia's "Big 4" commercial banks or in cash management trusts which invest predominantly in securities with an A1+ rating. In the unlikely event of a bank default or default on the underlying securities in the cash trust, there is a risk of losing the cash deposits and any accrued unpaid interest.

## Receivables

Outstanding settlements are on the terms operating in the securities industry, which usually require settlement within two days of the date of a transaction. Receivables are non-interest bearing and unsecured. In the event of a payment default, there is a risk of losing any difference between the price of the securities sold and the price of the recovered securities from the discontinued sale.

## Trading and investment portfolios

Converting and convertible notes or other interest-bearing securities that are not equity securities carry credit risk to the extent of their carrying value. This risk will be realised in the event of a shortfall on winding-up of the issuing companies.

## Liquidity risk

Liquidity risk is the risk that an entity will not be able to meet its financial liabilities.

AMCIL monitors its cash-flow requirements daily. The Investment Committee also monitors the level of contingent payments on a regular basis by reference to known sales and purchases of securities, dividends and distributions to be paid or received, put options that may require AMCIL to purchase securities, and facilities that need to be repaid. AMCIL ensures that it has either cash or access to short-term borrowing facilities sufficient to meet these contingent payments.

AMCIL's inward cash flows depend upon the dividends received. Should these drop by a material amount, AMCIL would amend its outward cash-flows accordingly. AMCIL's major cash outflows are the purchase of securities and dividends paid to shareholders, and both of these can be adjusted by the Board and management. Furthermore, the assets of AMCIL are largely in the form of readily tradeable securities which can be sold on-market if necessary.

The table below analyses AMCIL's financial liabilities into relevant maturity groupings. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than 6 months	6-12 months	Greater than 1 year	Total contractual cash flows	Carrying amount
30 June 2019	\$'000	\$'000	\$'000	\$'000	\$'000
Payables	173	-	-	173	173
Options written*	499	-	-	499	1,217
	672	-	-	672	1,390
<b>30 June 2018</b>					
Payables	253	-	-	253	253
Borrowings	1,000	-	-	1,000	1,000
Options written*	1,739	-	-	1,739	1,060
	2,992	-	-	2,992	2,313

\* In the case of call options, there are no contractual cash flows as if the option is exercised the contract will be settled in the securities over which the option is written. The contractual cash flows for put options written are the cash sums the Company will pay to acquire securities over which the options have been written, and it is assumed for purpose of the above disclosure that all options will be exercised (i.e. maximum cash outflow).

## **C. Unrecognised items**

Unrecognised items, such as contingencies, do not appear in the financial statements, usually because they do not meet the requirements for recognition. However, they have the potential to have a significant impact on the company's financial position and performance.

### **C1. Contingencies**

Directors are not aware of any material contingent liabilities or contingent assets other than those already disclosed elsewhere in the financial report.

Further information that shareholders may find useful is included here. It is grouped into three sections:

- D Balance sheet reconciliations
- E Income statement reconciliations
- F Further information

## D. Balance sheet reconciliations

This section provides further information about the basis of calculation of line items in the financial statements.

### D1. Current assets – cash

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
Cash at bank and in hand (including on-call)	13,988	2,150

Cash holdings yielded an average floating interest rate of 2.10% (2018: 1.80%). All cash investments are held in a transactional account or an over-night 'at call' account invested in cash management trusts which invest predominantly in securities with an A1+ rating.

### D2. Credit Facilities

The Company was party to agreements under which Commonwealth Bank of Australia would extend cash advance facilities.

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
Commonwealth Bank of Australia –cash advance facility	10,000	10,000
Amount drawn down at 30 June	-	(1,000)
Undrawn facilities at 30 June	10,000	9,000

Repayment of facilities is done either through the use of cash received from distributions or the sale of securities, or by rolling existing facilities into new ones. Facilities when utilised are usually drawn down for no more than three months.

### D3. Revaluation reserve

	2019 \$'000	2018 \$'000
Opening Balance at 1 July 2018	39,285	27,120
Gains on investment portfolio	5,651	25,323
Deferred tax on above	(1,298)	(9,059)
Transfer to realised capital gains reserve for realised gains	(6,854)	(4,099)
	36,784	39,285

This reserve is used to record increments and decrements on the revaluation of the investment portfolio as described in accounting policy note A2.

### D4. Realised capital gains reserve

	2019 \$'000	Difference between tax and accounting costs	Total	2018 \$'000	Difference between tax and accounting costs	Total
	Taxable realised gains (net of tax)			Taxable realised gains (net of tax)		
Opening balance at 1 July	8,600	12,121	<b>20,721</b>	7,234	13,258	<b>20,492</b>
Dividends paid	(7,938)	-	<b>(7,938)</b>	(3,870)	-	<b>(3,870)</b>
Cumulative taxable realised (losses)/gains for period	9,565	159	<b>9,724</b>	7,478	(1,137)	<b>6,341</b>
Tax on realised gains/(losses)	(2,870)	-	<b>(2,870)</b>	(2,242)	-	<b>(2,242)</b>
	7,357	12,280	<b>19,637</b>	8,600	12,121	<b>20,721</b>

This reserve records gains or losses after applicable taxation arising from disposal of securities in the investment portfolio as described in A2. The difference between tax and accounting costs is a result of realised gains or losses being accounted for on an average cost basis, whilst taxable gains or losses are made based on the specific cost of the actual stock sold – i.e. on a parcel selection basis. These differences also include non-taxable realised gains or losses, e.g. losses under off-market buy-backs.



## D5. Retained profits

	2019 \$'000	2018 \$'000
Opening balance at 1 July	10,604	9,516
Dividends paid	(12,654)	(5,159)
Profit for the year	7,015	6,247
	4,965	10,604

This reserve relates to past profits.

## D6. Share capital

Date	Details	Notes	Number of shares '000	Issue price \$	Paid-up Capital \$'000
1/7/2017	Balance		257,976		171,658
24/8/2017	Dividend Reinvestment Plan	i	3,524	0.88	3,101
Various	Costs of issue		-		(11)
30/6/2018	Balance		261,500		174,748
24/8/2018	Dividend Reinvestment Plan	i	4,284	0.91	3,899
7/11/2018	Share Purchase Plan	ii	5,023	0.86	4,319
22/2/2019	Dividend Reinvestment Plan	i	3,779	0.86	3,250
Various	Costs of issue		-		(48)
30/6/2019	Balance		274,586		186,168

- i. *Shareholders elect to have all or part of their dividend payment reinvested in new ordinary shares under the Dividend Reinvestment Plan (DRP). The price of the new DRP shares is based on the average selling price of shares traded on the Australian Securities Exchange (ASX) & Chi-X in the five days after the shares begin trading ex-dividend.*
- ii. *During the year ended 30 June 2019 the Company announced a Share Purchase Plan (SPP). The SPP issue price was set at a nil discount to the volume-weighted average price of AMCIL shares traded on the Australian Securities Exchange (ASX) & Chi-X over the 5 trading days up to, and including, the day on which the SPP offer was scheduled to close*

All shares have been fully paid, rank pari passu and have no par value.

## E . Income statement reconciliations

### E1. Reconciliation of net cash flows from operating activities to profit

	2019 \$'000	2018 \$'000
<b>Profit for the year</b>	<b>7,015</b>	<b>6,247</b>
Net decrease/(increase) in trading portfolio	-	516
Sale from trading portfolio to investment portfolio	(847)	-
Increase/(decrease) in options written portfolio	157	419
Dividends received as securities under DRP investments	(492)	(436)
Decrease/(increase) in current receivables	4,077	(6,238)
- Less increase/(decrease) in receivables for investment portfolio	(4,095)	5,921
Increase/(decrease) in deferred tax liabilities	(1,621)	6,589
- Less (increase)/decrease in deferred tax liability on investment portfolio	1,572	(6,817)
Increase/(decrease) in current payables	(80)	4
- Less decrease/(increase) in payables for investment portfolio	-	-
Increase/(decrease) in provision for tax payable	(614)	(609)
- Less CGT provision	(2,870)	(2,242)
- Add taxes paid on capital gains	2,242	2,119
<b>Net cash flows from operating activities</b>	<b>4,444</b>	<b>5,473</b>

### E2. Tax reconciliations

#### Tax expense composition

Charge for tax payable relating to the current year	224	257
Over provision in prior years	(31)	(34)
(Increase)/decrease in deferred tax assets	(49)	(228)
	<b>144</b>	<b>(5)</b>

#### Amounts recognised directly through Other Comprehensive Income

Net movement in tax liabilities relating to capital gains tax on the movement in gains in the investment portfolio	1,298	9,059
	<b>1,298</b>	<b>9,059</b>

## Deferred tax assets & liabilities

The deferred tax balances are attributable to:

	2019 \$'000	2018 \$'000
(a) The difference in the value of the trading portfolio for tax and accounting purposes	-	-
(b) Tax on unrealised gains or losses in the options written portfolio	184	101
(c) Provisions and expenses charged to the accounting profit which are not yet tax deductible	46	71
(d) Interest and dividend income receivable which is not assessable for tax until receipt	(93)	(84)
	137	88

Movements:

Opening asset/(liability) balance at 1 July	88	(140)
Credited/(charged) to Income statement	49	228
	137	88

Deferred tax assets arise when provisions and expenses have been charged but are not yet tax deductible. These assets are realised when the relevant items become tax deductible, as long as enough taxable income has been generated to claim the assets against, and as long as there are no changes to the tax legislation that affect AMCIL's ability to claim the deduction. As noted in B2, deferred tax assets and liabilities have been calculated at a rate of 30% (2018 : 30%).

## F. Further information

This section covers information that is not directly related to specific line items in the financial statements, including information about related party transactions, assets pledged as security and other statutory information.

### F1. Related parties

All transactions with deemed related parties were made on normal commercial terms and conditions and approved by independent Directors.

### F2. Remuneration of auditors

During the year the auditor earned the following remuneration:

	2019 \$	2018 \$
<b>PricewaterhouseCoopers</b>		
Audit or review of financial reports	89,752	104,895
<u>Non-Audit Services</u>		
Taxation compliance services	9,039	11,440
Total remuneration	98,791	116,335

### F3. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Board, through its sub-committees, has been identified as the chief operating decision-maker, as it is responsible for allocating resources and assessing performance of the operating segments.

#### Description of segments

The Board makes the strategic resource allocations for AMCIL. AMCIL has therefore determined the operating segments based on the reports reviewed by the Board, which are used to make strategic decisions.

The Board is responsible for AMCIL's entire portfolio of investments and considers the business to have a single operating segment. The Board's asset allocation decisions are based on a single, integrated investment strategy, and AMCIL's performance is evaluated on an overall basis.

#### Segment information provided to the Board

The internal reporting provided to the Board for AMCIL's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of Australian Accounting Standards, except that net assets are reviewed both before and after the effects of capital gains tax on investments (as reported in AMCIL's Net Tangible Asset announcements to the ASX).

#### Other segment information

Revenues from external parties are derived from the receipt of dividend, distribution and interest income, and income arising on the trading portfolio and realised income from the options portfolio.

AMCIL is domiciled in Australia and most of AMCIL's income is derived from Australian entities or entities that maintain a listing in Australia. AMCIL has a diversified portfolio of investments, with only two investment comprising more than 10% of AMCIL's income, including realised income from the trading and options written portfolios – BHP (13.8%) and Westpac (10.2%) (2018 : Two - National Australia Bank (11.2%) and Westpac (10.2%)).

#### F4. Summary of other accounting policies

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. This financial report has been authorised for issue on 23 July 2019 in accordance with a resolution of the Board and is presented in the Australian currency. The directors of AMCIL have the power to amend and reissue the financial report.

AMCIL has attempted to improve the transparency of its reporting by adopting 'plain English' where possible. Key 'plain English' phrases and their equivalent AASB terminology are as follows:

Phrase	AASB Terminology
Market Value	Fair Value for Actively Traded Securities
Cash	Cash & Cash Equivalents
Share Capital	Contributed Equity
Options	Derivatives written over equity instruments that are valued at fair value through Profit or Loss

AMCIL complies with International Financial Reporting Standards (IFRS). AMCIL is a 'for profit' entity.

AMCIL has not applied any Australian Accounting Standards or AASB Interpretations that have been issued as at balance date but are not yet operative for the year ended 30 June 2019 ("the inoperative standards"). The impact of the inoperative standards has been assessed and the impact has been identified as not being material. AMCIL only intends to adopt inoperative standards at the date at which their adoption becomes mandatory.

#### Basis of accounting

The financial statements are prepared using the valuation methods described in A2. All other items have been treated in accordance with the historical cost convention.

#### Fair value of financial assets and liabilities

The fair value of cash and cash equivalents, and non-interest bearing monetary financial assets and liabilities of AMCIL approximates their carrying value.

#### Rounding of amounts

AMCIL is a company of the kind referred to in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Instrument, to the nearest thousand dollars, or in certain cases, to the nearest dollar.